

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2015

Docket No. ACR2015

CHAIRMAN'S INFORMATION REQUEST NO. 14

(Issued February 16, 2016)

To clarify the Postal Service's FY 2015 Annual Performance Report (FY 2015 Report) and FY 2016 Annual Performance Plan (FY 2016 Plan),<sup>1</sup> the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than February 23, 2016.

**Service Performance**

1. Please provide a current list of 3-digit ZIP Codes for each district office grouped by U.S. Postal Service area. Please provide the list as an Excel file.

**In-Office Cost System (IOCS)**

2. USPS-FY15-37, "PRCPub15.sas7bdat" file contains the IOCS sample data.<sup>2</sup> The IOCS variable "Q18A03" is used to determine which operation (MODS work center) employees are clocked into. The following questions concern the Q18A03 field.

- a. Please provide the meaning of a '- -' entry.

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<sup>1</sup> The FY 2015 Report and FY 2016 Plan are included in the United States Postal Service 2015 Annual Report to Congress (FY 2015 Annual Report). See Library Reference USPS-FY15-17, December 29, 2015, at 11-28.

<sup>2</sup> Library Reference USPS-FY15-37, December 29, 2015.

- b. Please provide the meaning of a '000' entry.
  - c. Please provide the operational definition for the MODS code '956' entries.
  - d. Please explain the reason(s) why '- - -' and '000' codes are used rather than a specific MODS operation code.
  - e. Please explain the reason(s) why code '999' (TACS Default code) is used instead of a work-specific MODS operation code.
  - f. Please provide the reason(s) why the IOCS CAG H offices have a higher proportion of '- - -' entries than other IOCS CAG offices.
3. In Order No. 2837, the Commission stated, "[f]uture IOCS data sets should continue to provide the specific CAG-level detail for each sample record."<sup>3</sup> The IOCS CAG-level detail is contained in the USPS-FY15-37 "PRCPub15.sas7bdat" file.<sup>4</sup>
- a. Please confirm that CAG-level details are not identified in the "PRCPub15.sas7bdat" SAS data set for the CAG K/L sample records. If not confirmed, please explain and identify all CAG K/L sample records.
  - b. Please provide the specific FY 2015 CAG K and CAG L levels for the applicable FY 2015 IOCS sample records.
  - c. Please specify the five FY 2015 IOCS office finance numbers (IOCS field F2) that are in the CAG Group "K/L" sample.
4. On page 4 of the IOCS Documentation the Postal Service states, "Table 1 summarizes the first-stage sample and universe sizes." However, on page 3 of

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<sup>3</sup> Docket No. RM2015-19, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Ten), November 24, 2015, at 10 (Order No. 2837). In the IOCS documentation, the Postal Service states, "[c]hanges have also been made to reflect Order No. [2837] (Nov. 24, 2015), Proposal Ten in Docket RM2015-19. Data for readings taken in CAG K offices are combined with data from CAG H and J offices and are weighted using the control total dollars for the combined strata." See "USPS-FY15-37.pdf", at 1, provided in USPS-FY15-37 (IOCS Documentation).

<sup>4</sup> See "IOCSDataDictionary.xls" file, IOCS variables F264 and F9251.

the IOCS Documentation the Postal Service states, “a panel of offices is used to represent the office frame.”

- a. Please provide the total number of offices (the universe) in each CAG Group shown in “Table 1, First-Stage Universe and Sample.” IOCS Documentation at 4.
  - b. Please specify if the “panel of offices” is a subset of the number of offices shown in the “Office Frame” column in Table 1. If so, please specify the number of offices in the panel for each CAG Group.
5. Please discuss how the panel office frame is selected and how the sample (and number) of offices from the office frame panel are selected.
  6. “Table 2, Employee Sampling Rates by CAG and Employee Craft” in the IOCS Documentation at 5 shows no sampling rate for CAG L. Please specify what the sampling rate will be in FY 2016 for the CAG L offices and crafts.

### **International Mail**

7. Please refer to the Responses of the United States Postal Service to Questions 1-15, 17-29 of Chairman’s Information Request No. 7, February 8, 2016, question 26.
  - a. Please confirm that the shift in revenue between Market Dominant and Competitive International Registered Mail is attributable to a misclassification of First Class Package International Services as market dominant, as costs were misclassified in FY 2014.
  - b. If not confirmed, please explain what caused this revenue to be misclassified.
8. Please discuss what factors led to the Postal Service achieving worse service performance for each month in CY 2015 than in CY 2014.

9. Please discuss what progress has been made on the plans for Inbound Letter Post proposed by the Postal Service in its response to the Annual Compliance Determination on June 25, 2015.<sup>5</sup>

### **Standard Mail**

10. Please refer to Library Reference USPS-FY15-11, December 29, 2015, Excel file "USPS-FY15-11 STD flats.xls," "CRA ADJ UNIT COSTS" tab, and Library Reference USPS-FY15-3, December 29, 2015, Excel file: "FY15 3 Worksharing Discount Tables.xls," "Standard Mail Flats Prst Prebcd" tab.
  - a. Please confirm that the unit cost estimate for Non-automation MADC Flats is \$0.41922. If not confirmed, please explain.
  - b. Please confirm that the unit cost estimate for Automation MADC Flats is \$0.48996. If not confirmed, please explain.
  - c. Please confirm that the unit avoided cost for Automation MADC Flats in USPS-FY15-3 should be the difference between Non-automation MADC Flats (\$0.41922) and Automation MADC Flats (\$0.48996), or -\$0.071.
  - d. If confirmed, please update USPS-FY15-3 and provide a justification pursuant to 39 U.S.C. § 3622(e)(2) for the Automation MADC Flats discount of \$0.041 exceeding the -\$0.071 avoided cost.
  - e. If not confirmed or no statutory justification is provided, please explain.
11. Please refer to USPS-FY15-3, Excel file "FY15 3 Worksharing Discount Tables.xls," "Standard Mail Prcls & Mkt Prcls" tab. The avoided cost estimate for 5-digit Irregular Parcels uses the mail processing unit cost estimates for Marketing Parcels found in Library Reference USPS-FY15-12, December 29, 2015. Please confirm that unit mail processing cost estimates for irregular

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<sup>5</sup> Docket No. ACR2014, Responses of the United States Postal Service to Commission Requests for Additional Information in the FY 2014 Annual Compliance Determination, June 25, 2015.

parcels from USPS-FY15-12 should have been used. If confirmed, please update USPS-FY15-3. If not confirmed, please explain.

12. Please refer to USPS-FY15-3, Excel file "FY15 3 Worksharing Discount Tables.xls," "Standard Mail HD-Sat Letters" tab.
  - a. Please confirm that the discount for Commercial DNDC Letters should be \$0.034. If confirmed, please update USPS-FY15-3. If not confirmed, please explain.
  - b. Please confirm that the discount for Commercial DSCF Letters should be \$0.044. If confirmed, please update USPS-FY15-3. If not confirmed, please explain.

### **Customer Satisfaction with Market Dominant Products**

13. The Postal Service conducted the Large Business survey during quarter 4 of FY 2015.<sup>6</sup> Please explain whether and how quarter 4 results are representative of Large Business customer satisfaction with market dominant products during all of FY 2015.
14. In Docket No. ACR2014, the Postal Service stated that the Customer Experience Measurement (CEM) surveys used in FY 2013 and Customer Insights used in FY 2014 surveys contain comparable questions on customer satisfaction with market dominant products for Residential and Small/Medium Business customers.<sup>7</sup> Similarly, the survey question on customer satisfaction with market dominant products for Large Business customers is substantially similar in both the FY 2013 CEM Large Business survey and the FY 2015 CI Large Business survey.<sup>8</sup>

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<sup>6</sup> United States Postal Service FY 2015 Annual Compliance Report, December 29, 2015, at 59 (FY 2015 ACR).

<sup>7</sup> Docket No. ACR2014, United States Postal Service Responses to Questions 6, 7, 9, 10, 20-25, 29, 30, 34, and 35 of Chairman's Information Request No. 13, March 13, 2015, questions 29c and 30c.

<sup>8</sup> Compare Docket No. ACR2013, Library Reference USPS-FY13-38, December 27, 2013, PDF file "Large Business Survey\_11-26-2013.pdf," question 5 *with* Library Reference USPS-FY15-38, December 29, 2015, PDF file "LargeBusiness - USPS FY15 LB Panel Survey.pdf," at 2.

- a. Please confirm that the FY 2013 CEM surveys and FY 2015 CI surveys contain comparable results for customer satisfaction with market dominant products for Residential and Small/Medium Business customers. If not confirmed, please explain.
  - b. Please confirm that the FY 2013 CEM and FY 2015 CI Large Business surveys contain comparable survey questions and results for customer satisfaction with market dominant products for Large Business customers. If not confirmed, please explain.
- 15. As shown in the table below, customer satisfaction with market dominant products results declined for almost every product between FY 2013 and FY 2015. For each customer type (Residential, Small/Medium Business, and Large Business) and market dominant product in the table below, please discuss the reasons for the decline. Please specify which results are due to sampling variation and which are statistically different or indicative of a significant decrease in customer satisfaction between FY 2013 and FY 2015.

## Customer Satisfaction with Market Dominant Products

Market Dominant Product	Residential Customers		Small/Medium Business Customers		Large Business Customers	
	% Rated Very/Mostly Satisfied					
	FY 2013	FY 2015	FY 2013	FY 2015	FY 2013	FY 2015
First-Class Mail	94.67	89.22	93.21	84.77	91.12	83.27
Single-Piece International	87.38	85.50	84.27	82.31	88.11	82.65
Standard Mail	85.11	85.11	87.95	80.82	86.05	79.49
Periodicals	88.09	85.50	85.92	82.42	83.27	77.10
Single-Piece Parcel/Standard Post*	89.87	86.66	88.81	82.65	86.56	77.81
Media Mail	89.32	87.17	88.15	85.18	86.51	78.61
Bound Printed Matter	86.84	---**	85.85	81.70	82.84	76.54
Library Mail	87.77	85.10	86.33	85.43	88.22	78.66
*The FY 2015 surveys state Standard Post (formerly Parcel Post).						
---**Number of responses received did not meet minimum threshold for 90% level of confidence.						
Sources: FY 2015 ACR at 59; Docket No. ACR2013, United States Postal Service FY 2013 Annual Compliance Report, December 27, 2013, at 43.						

By the Acting Chairman.

Robert G. Taub